North Carolina Department of Health and Human Services
Division of Mental Health, Developmental Disabilities and Substance Abuse Services
3001 Mail Service Center • Raleigh, North Carolina 27699-3001
Tel 919-733-7011 • Fax 919-508-0951

Michael F. Easley, Governor
Carmen Hooker Odom, Secretary

Michael Moseley, Director

February 10, 2006

MEMORANDUM

To: Legislative Oversight Committee Members
Commission for MH/DD/SAS
Consumer/Family Advisory Committee Chairs
State Consumer Family Advisory Committee Chairs
Advocacy Organizations and Groups
North Carolina Association of County Commissioners
County Managers
County Board Chairs
North Carolina Council of Community Programs
State Facility Directors
Area Program Directors
Area Program Board Chairs
DHHS Division Directors
Provider Organizations
MH/DD/SAS Professional Organizations and Groups
MH/DD/SAS Stakeholder Organizations and Groups
Other MH/DD/SAS Stakeholders

From: Mike Moseley

Re: **Communication Bulletin #053**
DMH/DD/SAS Provider Action Agenda

State Plan Communication Bulletin

Earlier this year, I requested that the DMH/DD/SAS Executive Leadership Team develop a plan to address issues facing the provider community. I know that as we complete the first phase of system transformation, the reform will increasingly focus on the stability and quality of the provider system. To assure myself that I understood the nature of the challenges confronting providers, the Division conducted a Provider Survey and hosted two Provider Summits in November and December.

Today, I am releasing the **DMH/DD/SAS Provider Action Agenda**. This Plan represents an initial set of action steps to be taken to address identified provider concerns. I expect that additional items will be added to the plan in the months to come.

To ensure that the Agenda receives priority attention, I am appointing a Team to coordinate this important initiative. Dick Oliver, leader of the LME Team and Dr. Bert Bennett, from the Best Practice Team, will co-chair the effort. The Team will include representatives from DMH/DD/SAS and DMA. Initially, the team will focus on the development of internal supports. In June, I will expand the Team with the addition of external stakeholders representing members of the provider community, the Provider Leadership Forum, consumers and family members, and LMEs.

cc: Secretary Carmen Hooker Odom
Allen Dobson, MD
Allyn Guffey
Dan Stewart
DMH/DD/SAS Executive Leadership Team
DMH/DD/SAS Staff
Rob Lamme
Rich Slipsky
Wayne Williams
Kaye Holder
Carol Duncan Clayton
Patrice Roesler
Coalition 2001 Chair
Debbie Crane

Division of Mental Health,
Developmental Disabilities,
and Substance Abuse Services

Provider Action Agenda and Recommendations

January 2006

DIVISION OF MENTAL HEALTH, DEVELOPMENTAL DISABILITIES, AND SUBSTANCE ABUSE SERVICES (MH/DD/SAS)

PROVIDER ACTION AGENDA AND RECOMMENDATIONS

January 2006

The North Carolina MH/DD/SAS system has four major components that play critical roles in the service delivery partnership. These are:

- Consumers and families
- The Division of MH/DD/SAS
- Local Management Entities (LMEs)
- Providers

Consumers and families are the beneficiaries of the services that are facilitated through the Division as the purchaser, the LMEs as the managers, and the provider community as the service delivery partners. The reform of the system depends upon a provider system in which high quality services are available in sufficient quantity to meet the identified needs of consumers.

PART I: OBSERVATIONS

The presence of a large number of new provider organizations differentiates North Carolina's situation from other states with similar market conditions. In other states, providers have been adapting to conditions that have grown more challenging gradually. At the same time, many of the challenges faced by North Carolina's providers are along the lines of experience of those faced by providers in many states. These include:

- The surprisingly difficult and expensive tasks of meeting the various billing, reporting, and authorization requirements of different purchasers.

- The aggressive purchasing methods and practices of some regional purchasers, such as unfavorable provider terms and labor-intensive utilization controls.

- The circumstances of local mental health authorities serving as both purchasers and providers, thereby creating a pseudo-market.

- The tendency of some provider organizations to maintain historical services that are both unprofitable and low priority.

- The development new spin-off organizations that have not had the time or experience to develop the usual buffers against financial stress, such as financial reserves, effective boards of directors, skilled management teams, and lean and effective administrative infrastructures. Without these buffers the spin-offs may be very vulnerable.

ACTION AGENDA

Division Director, Mike Moseley initiated an accelerated focus on the provider system with the issuance of a Provider Survey on September 14, 2005. Providers were invited to complete a web based survey to assist the Division in understanding the challenges facing them as well as suggesting ways in which the Division could assist with the successful transformation of the service system. More than 500 providers responded to the Division's invitation to provide information and suggestions.

The Survey was followed by a Provider Summit on November 1, 2005. This facilitated discussion was designed to further evaluate the status of provider stability in the system transformation, and to determine what actions could be taken by the Division to support providers in the next six months, and longer term issues that could be addressed over the next year. Providers' suggestions fell into four broad categories, all of which merit consideration and action:

- reducing variation in policies and procedures,
- consolidating LME contract-management events such as monitoring,
- standardizing as many transaction forms and processes as possible across LMEs, and
- reducing transaction requirements.

SIX MONTH ACTION AGENDA **January 1, 2006 through June 30, 2006**

1. Infrastructure

The Division has established a cross-department team to support the Provider Action Agenda. The new team includes representative from the following groups, Best Practice, LME, Justice Innovations, Prevention/Early Intervention, Quality Management, Budget, Accountability, and the Division of Medical Assistance. (January 2006)

Providers will be encouraged to register in the Division's Provider Participation Database Summary Inventory. Information should be current to ensure participation on workgroups. (January 2006 and on going)

2. Standardization

Standardizing processes across LMEs would reduce variation. The Division has conducted a retrospective review of possible standardization efforts to identify the barriers to standardization and ways of addressing these barriers. Many providers expressed concerns regarding prompt payment by LMEs. The Division is currently developing policies to standardize the following processes with dissemination by March 31, 2006 and implementation by July 1, 2006:

- Adoption of a standardized definition of a "clean claim" that will reduce transaction time required for providers to receive payment.

- Development of standardized denial codes.
- Development of a standardized policy related to coordination of benefits.
- Development of a standardized Excel claims form.

Additionally the Division is in the process of developing other policies, procedure and formats including:

- A statewide Person Centered Plan (PCP) format and provider service record manual. (Dissemination March 31, 2006, Implementation July 1, 2006)
- A standardized screening process and format for the LME screening, triage and referral process. (Completion of development March 31, 2006, Implementation June 1, 2006)
- A standardized provider endorsement and enrollment process. (Completed)
- A standard UM process and formats for Medicaid and state benefits. (Implementation July 1, 2006)

3. Regulations and Reporting

The Division will begin a review of missing and overlapping regulations leading to gradual improvement for providers and LMEs. The Division will work with the Secretary, the Commission on Mental Health, Developmental Disabilities and Substance Abuse Services to identify targets for regulatory relief. Reducing reporting and regulations could also reduce costs. (The term "regulation" broadly refers to contractual terms, authorization processes, licensing and similar state regulations, and reports of all kinds.) The areas of overlap have been identified and the Commission has scheduled reviews to adjust areas of overlap, including the following:

- New rules are being developed to support standardization across LMEs including endorsement, provider qualifications and accreditation.
- A standardized Memorandum of Agreement (MOA) and contract process and format between LMEs and providers has been developed.

4. Provider Improvement

A feature of the kind of private, competitive market that exists in North Carolina is that providers are responsible for their own financial performance. Providers seem to vary greatly in their ability to succeed, and the new spin-offs seem to be especially vulnerable. Strategies include:

- Continuing to offer enhanced service definition training, PCP training and program specific consultation. (Spring and Summer 2006)
- Providing information to providers about other resources available to assist small businesses including the Department of Commerce's Business Service Center, the North Carolina Center for Non-Profits, and the North Carolina Community College System's Small Business Center. (Current)

- Offering SAMHSA sponsored, no cost, confidentiality and ethics training including 42 CFR Part 2 and 45 CFR HIPAA. (Spring and Summer 2006)

LONG TERM ACTION AGENDA July 1, 2006 through June 30, 2007

1. Infrastructure

The Division Provider Action Team will be expanded to include provider representatives. The Division will invite selected representatives from the Provider Leadership Forum. (July 2006)

2. Standardization

The Division will continue to work with consumers, LMEs and providers to identity additional areas for standardization which may include steps to:

- Identify opportunities for standardization with information technology and other systems specialists to work with state, provider, and LME representatives. This same group could be tasked with developing a standardization plan, with its work informed by the analysis of the barriers.
- Evaluate reporting, quality-management standards, billing, and the forms and fields used for transactions as candidates for standardization.
- Explore the feasibility of establishing a single entity to pay on behalf of LMEs as a strategy to solve problems related to timely payment without undercutting the planning and management role of LMEs. Instead, it would be analogous to a self-insured employer hiring a third party administrator (TPA) to process its claims. Alternately, the state could serves as the single, statewide TPA.
- Explore direct enrollment and endorsement of providers providing state supported services following the development of NC Leads.
- Develop models for shared organizational structures, including mergers, collaborations, and administrative service organizations.

3. Regulations and Reporting

The Division will conduct an inventory of regulations and report items, noting the authority and purpose of each, and evaluate the benefit of each item reported. The Division will drop any that are not currently used for accountability, decision support, or quality improvement. In addition, the Division will drop the remaining items whose benefit is outweighed by excessiveness of reporting and regulatory burden. Included will be action to:

- Encourage LMEs to review authorization requirements with regards to steps, services, populations, and added value. Encourage them to streamline processes and drop those that do not add value in proportion to their effort and costs.

- Consolidate contract-management events such as monitoring.
- Review accreditation requirements that could result in rule reductions for successfully accredited organizations.

4. Provider Improvement

The Division will develop a Provider Improvement Initiative and will explore the following possible activities:

- The Division may work in collaboration with other organizations to host provider fairs to ensure that LMEs are aware of provider availability and scope of services they provide.

- The utilization of provider capacity checklist and related training and technical assistance will be facilitated. Training could be delivered that includes completion of a provider checklist, an approach derived from James Bixler's widely used managed-care readiness checklist. The checklist would include the major dimensions of organizational performance important to success in North Carolina's behavioral care markets, such as the alignment of business models and market conditions, staff and organizational productivity, financial cost and performance information, cost containment methods and benchmarks, negotiation strategies, assessing service opportunities, marketing, access systems, affiliations, billing, authorization management, and capitalization. Completing the list and comparing their score to other providers would help providers consider the organizational practices and capacities that they have not yet considered.

- The Division will explore specific trainings for providers

    A. Affiliations and mergers

    B. Strategy formulation in competitive, fee-for-service markets

    C. Indicators and measures for tracking business success, including cost accounting and profitability analyses

    D. Using incentive payment systems to increase productivity

    E. Marketing

    F. Negotiation